

California State Teachers' Retirement Board
Investment Committee

Subject:	Activity Status Report - Credit Enhancement Program	Item Number: <u>16</u> Attachment(s): <u>2</u>
Action:	Date of Meeting: <u>April 7, 1999</u>	
Information:	<u>X</u>	Presenters: <u>Mr. Rose</u>

EXECUTIVE SUMMARY

Last month CalSTRS reported a \$6.7 million credit enhancement for the Ontario Redevelopment Agency. This month staff is reporting a follow-up credit enhancement to the same agency supporting the same projects for \$8.4 million, bringing the total commitment to \$15.1 million for the Ontario Redevelopment Agency. The Ontario Redevelopment Agency is the borrower. The bonds were issued in 1996. CalSTRS is stepping in to provide a confirming letter-of-credit for the existing bank. The transactions will close in April 1999.

The Credit Enhancement Program has several new transactions to report. The first is a \$7.4 million transaction to support the City of Fillmore's financing of the water system. The second transaction for \$2.8 million will support tax increment bonds for the Fontana Redevelopment Agency. CalSTRS will provide a confirming letter-of-credit for both transactions. The third transaction is in support of the California Housing Finance Agency, CHFA. CalSTRS will be participating in a liquidity agreement to support a \$168 million liquidity facility for CHFA. STRS will participate in 25% of the transaction or \$42.0 million. The transactions are all expected to close in April 1999.

At the time of the writing of this report, the Mission Viejo Mall Improvement Project is now expected to close in May 1999.

1. Ontario Redevelopment Agency, Ontario, CA.

CalSTRS has been selected to provide credit enhancement in support of an existing bond issuance of \$6.7 and \$8.4 million, or \$15.1 million by the Ontario Redevelopment Agency. The bonds were issued for the acquisition and rehabilitation of affordable housing for two projects. Gross tax increment revenues of the Ontario Redevelopment Agency support the project bonds. STRS will provide a confirming letter-of-credit to support a bank with the first loss position.

Terrace View Apartments

Terrance View is a 75 unit multi-family housing project in the City of Ontario. The complex consists of 3 studio apartments, 59 one bedroom/one bath units, 11 two bedroom/one bath units and 2 three-bedroom/two bath units. The complex has 56,843 rentable square feet and lies on a 1.878-acre parcel.

Parc Vista Apartments

Parc Vista is a 78 unit multi-family housing project in the City of Ontario. The complex consists of 8 studio units, 26 one bedroom/one bath units, and 44 two bedroom/one and ½ bath units. The complex has 62,192 rentable square feet and lies on a 1.878-acre parcel.

2. City of Fillmore, CA.

CalSTRS has been selected to provide credit enhancement to support \$7.4 million in bond financing for the City of Fillmore. The proceeds will be used to support the refunding of an existing \$3.7 million of a 1989 transaction and to provide \$3.7 million in new financing to expand the City's water system. Annual net revenues of the City's water system support the bonds. CalSTRS will provide a confirming letter-of-credit to support a bank with the first loss position. The transaction is expected to close in April 1999.

3. Fontana Redevelopment Agency, Fontana, CA.

CalSTRS has been selected to provide credit enhancement to help support \$2.8 million of the \$5.9 million debt service reserve for the issuance of the 1999 Series A bonds which represents a refinancing of two older bond issues. The Agency will use cash for \$3.1 million of the debt reserves while \$2.8 million will be funded through credit enhancement. The use of credit enhancement will allow the Agency to utilize \$2.8 million for redevelopment. CalSTRS' commitment is for \$2.8 million and the System will provide a confirming letter-of-credit to support a bank with the first loss position. The transaction is expected to close in April 1999.

4. California Housing Finance Agency (CHFA), Sacramento, CA.

CHFA was created in 1975 for the purpose of meeting the housing needs of persons and families of low or moderate income. CHFA issues a combination of tax-free, taxable and floating rate debt to create a pool of funds for the purpose of making home ownership more affordable to low income residents of the State. The proposed \$42 million transaction is for the purpose of providing liquidity for the variable rate portion of the 1998 issue. The underlying mortgages that the bonds support are all insured by FHA, VA and other insurers. The bonds are supported by the reserves of the Housing Revenue Bonds program, and are guaranteed by a AAA bond insurer. CalSTRS will be the liquidity provider. The bonds trade as AAA in the marketplace. CHFA is rated Aa3 by Moody's and AA- by S&P. The transaction is expected to close in April 1999.

CalSTRS CREDIT ENHANCEMENT PROGRAM

Attachment 1

PROGRAM SUMMARY AS OF MARCH 17, 1999

	Type	Date	End of	STRS Commitment	Interest		Fiscal 1998 - 99 Fee Income	Fee Income To Date
DIRECT RISK								
Port of Long Beach	Liquidity		Feb-00	\$75,000,000		\$75,000,000	\$79,181	\$226,193
Bridge - Richmond Townhomes	Expired. Redeemed as of Feb-97.							\$15,096
USA Waste Industries	Credit	Nov-94	Nov-99		\$0	\$9,764,121	\$46,108	
Sanifill, Inc.	Expired. Redeemed as of Jan-98.			\$0		\$0	\$43,809	\$87,618
San Diego Unified Port District (20)	Credit	Oct-97	Oct-02		\$1,365,243	\$36,365,243	\$13,079	
San Diego Unified Port District (21)	Credit		Oct-02	\$15,000,000	\$585,104	\$15,585,104	\$13,079	\$25,832
Pasadena Parking Authority		Jan-98	Jan-03	\$9,000,000	\$693,750		\$23,477	\$28,747
Pasadena Rosebowl (22)	Credit	Jun-98	Jun-01	\$15,600,000		\$15,876,956	\$20,891	\$20,891
DIRECT RISK - SECURED								
Buck Research on Aging	Credit	Dec-96	Dec-99	\$27,500,000		\$27,897,808	\$139,024	\$415,303
BOND INSURED								
Adventist West	Credit	Feb-98	Feb-05	\$114,500,000		\$116,193,973	\$93,384	\$141,568
DIRECT PAY LETTERS OF CREDIT								
Pt. Loma College	Expired. Redeemed as of Nov-98.			\$0		\$0	\$69,260	\$360,334
City of Visalia (California)	Credit	Sep-96	Sep-01		\$70,111	\$3,455,111	\$17,094	
LA Fairplex	Credit		Jul-01	\$17,900,000	\$698,224	\$18,598,224	\$51,997	\$163,340
Master-Halco Series 1986-II		Nov-98	Nov-01	\$1,900,000	\$39,978		\$1,000	\$1,000
TransAmerica Series 1986-V	Credit	Nov-98	Nov-01	\$1,050,000		\$1,072,093	\$1,000	\$1,000
CSCDA - IDB's								
Series 1994B								
Propak of California	Credit	Nov-94	Nov-01		\$60,809	\$2,780,809	\$4,770	
J. Michelle/Edie Lee	Credit		Nov-01	\$2,000,000	\$44,712	\$2,044,712	\$4,362	\$51,969
Pasco Scientific		Dec-94	Dec-00	\$2,295,000	\$51,307		\$4,826	\$50,862
American River Packaging	Credit	Dec-94	Dec-00	\$1,725,000		\$1,763,564	\$3,649	\$32,660
Lance Camper Manuf.	Credit	Dec-94	Dec-00		\$72,099	\$3,297,099	\$6,623	
CSCDA - IDB's								
Intermountain Trading	Credit		Feb-01	\$290,000	\$6,483	\$296,483	\$1,504	\$8,731
Andercraft Products		Feb-95	Feb-01	\$775,000	\$17,326		\$4,413	\$27,319
Sunclipse, Inc. (Alhambra)	Credit	Feb-95	Feb-01	\$3,200,000		\$3,271,540	\$9,223	\$49,975
Sunclipse, Inc. (Union City)	Credit	Feb-95	Feb-01		\$47,730	\$2,182,730	\$6,333	
Busseto Foods, Inc. (Rapelli of CA)	Credit		Mar-01	\$2,500,000	\$55,890	\$2,555,890	\$7,324	\$39,398

CalSTRS CREDIT ENHANCEMENT PROGRAM

PROGRAM SUMMARY AS OF MARCH 17, 1999

Attachment 1

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Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
AHNNN, Inc.	Expired.	Redeemed as of Sept-97.		\$0	\$0	\$0	\$0	\$9,416
Zarn, Inc.	Credit	Mar-95	Feb-01	\$610,000	\$13,637	\$623,637	\$2,302	\$21,932
Marcel & Marge Schurman	Credit	Mar-95	Feb-01	\$1,625,000	\$36,329	\$1,661,329	\$3,843	\$28,149
Charles & Loralie Harris	Credit	Mar-95	Feb-01	\$2,310,000	\$51,643	\$2,361,643	\$5,132	\$37,470
American Zettler	Credit	Mar-95	Mar-01	\$2,070,000	\$46,277	\$2,116,277	\$6,165	\$30,463
Aqua Serv Engineering	Credit	Mar-95	Mar-01	\$1,420,000	\$31,746	\$1,451,746	\$7,481	\$39,960
Contech Engineering Prod.	Credit	Mar-95	Mar-01	\$1,320,000	\$29,510	\$1,349,510	\$3,831	\$21,109
Evapco, Inc.	Credit	Mar-95	Mar-01	\$495,000	\$11,066	\$506,066	\$1,539	\$8,830
Florestone Products Co.	Credit	Mar-95	Mar-01	\$1,480,000	\$33,087	\$1,513,087	\$4,276	\$24,333
Grundfos Pumps Company	Credit	Mar-95	Mar-01	\$6,000,000	\$134,137	\$6,134,137	\$16,504	\$78,175
Instrument Specialities Co.	Credit	Mar-95	Mar-01	\$685,000	\$15,314	\$700,314	\$2,066	\$13,020
McCain Citrus	Credit	Mar-95	Mar-01	\$3,000,000	\$67,068	\$3,067,068	\$7,167	\$34,682
Mc Elroy Metal Mills, Inc.	Credit	Mar-95	Mar-01	\$440,000	\$9,837	\$449,837	\$1,495	\$12,030
NRI, Inc.	Credit	Mar-95	Mar-01	\$1,505,000	\$33,646	\$1,538,646	\$4,305	\$22,346
W & H Voortman, Inc.	Credit	Mar-95	Mar-01	\$2,460,000	\$54,996	\$2,514,996	\$5,937	\$30,418
Image Laboratories, Inc.	Expired.	Redeemed as of Dec-96.		\$0	\$0	\$0	\$0	\$26,854
Allwire, Inc.	Credit	Mar-95	Mar-01	\$300,000	\$6,707	\$306,707	\$1,891	\$9,993
Fairway Molds, Inc.	Credit	Mar-95	Mar-01	\$600,000	\$13,414	\$613,414	\$3,935	\$21,753
S & P Investments	Credit	Mar-95	Mar-01	\$1,165,000	\$26,045	\$1,191,045	\$4,289	\$23,327
Northwest Pipe & Casing	Credit	Apr-95	Apr-01	\$3,000,000	\$67,068	\$3,067,068	\$9,241	\$52,011
Reliance Upholstery	Expired.	Redeemed as of Oct-98.		\$0	\$0	\$0	\$906	\$9,261
Zieman Manufacturing	Credit	Apr-95	Apr-01	\$420,000	\$9,390	\$429,390	\$2,240	\$11,275
CSCDA - IDB's								
Series 1995A								
Carvin Corporation	Credit	Jun-95	Aug-01	\$2,230,000	\$49,854	\$2,279,854	\$4,852	\$37,909
Leegin Creative Leather Prod.	Expired.	Redeemed as of Dec-97.		\$0	\$0	\$0	\$0	\$19,469
Kennerley-Spratling	Credit	Jun-95	Aug-01	\$2,760,000	\$61,703	\$2,821,703	\$5,927	\$45,536
Vantage Properties	Credit	Jun-95	Aug-01	\$1,580,000	\$35,323	\$1,615,323	\$3,590	\$25,954
BNG Properties, LLC	Expired.	Redeemed as of Aug-96.		\$0	\$0	\$0	\$0	\$12,253
Staub Metals, Inc.	Credit	Aug-95	Aug-01	\$1,020,000	\$22,803	\$1,042,803	\$2,861	\$22,248
Aerostar Partners, Inc.	Credit	Sep-95	Sep-01	\$4,395,000	\$98,255	\$4,493,255	\$12,566	\$63,268
Walker Spring and Stamping Cor	Credit	Sep-95	Sep-01	\$3,400,000	\$76,011	\$3,476,011	\$10,085	\$50,889
Encore Video, Inc.	Expired.	Redeemed as of Oct-98.		\$0	\$0	\$0	\$1,353	\$11,691
EuroDesign Cabinets, Inc.	Credit	Sep-95	Sep-01	\$905,000	\$20,232	\$925,232	\$3,178	\$16,810
South Bay Circuits, Inc.	Credit	Sep-95	Sep-01	\$1,800,000	\$40,241	\$1,840,241	\$5,615	\$28,815
W & H Voortman, Inc.	Credit	Sep-95	Sep-01	\$1,020,000	\$22,803	\$1,042,803	\$3,444	\$16,724
Red Line Oil Co.	Credit	Nov-95	Nov-01	\$1,035,000	\$23,139	\$1,058,139	\$2,500	\$18,376
Johansen Dielectics	Credit	Nov-95	Nov-01	\$1,950,000	\$43,595	\$1,993,595	\$4,470	\$37,358
Peet's Coffee	Credit	Dec-95	Dec-00	\$2,620,000	\$58,573	\$2,678,573	\$5,892	\$43,000
Safariland	Credit	Sep-96	Sep-01	\$3,700,000	\$76,636	\$3,776,636	\$2,684	\$22,528
Control Air Conditioning	Credit	Jun-97	Jun-01	\$4,600,000	\$83,178	\$4,683,178	\$10,698	\$45,682
CSCDA - IDB								
Series 1996M								
Cordeiro Vault Co., Inc.	Credit	Dec-96	Dec-00	\$1,070,000	\$23,921	\$1,093,921	\$4,473	\$14,864
CSCDA - IDB								

CalSTRS CREDIT ENHANCEMENT PROGRAM
PROGRAM SUMMARY AS OF MARCH 17, 1999

	Type	Date	End of	STRS Commitment	Interest		Fiscal 1998 - 99 Fee Income	Fee Income To Date
Fibrebond West, Inc.	Credit		Dec-00		\$143,303	\$6,553,303		\$76,078
Confirmation #1 Suncreek Apts.		Apr-96	Apr-01	\$6,800,000		\$6,878,247	\$17,366	
Confirmation #2 CMIG LLC				\$0	\$0		\$2,153	\$5,514
Confirmation #3 Monrovia Redevelopment Agency	Credit	Jan-98	Jan-01	\$8,600,000		\$8,829,727	\$13,270	
Confirmation #4 & #5 First Class Foods / Alliance		Apr-98	Apr-03	\$3,750,000		\$3,805,479	\$5,708	
Confirmation #6 Western Saw		Jun-98	Jun-03	\$3,600,000		\$3,653,260	\$3,734	
Confirmation #8 Delta Tau Data Systems		Aug-98	Aug-01	\$5,800,000		\$5,885,808	\$14,715	
Confirmation #9 Dix Metals		Sep-98	Sep-01	\$5,560,000		\$5,642,258	\$14,231	
Confirmations #10 & #11 City of Fillmore		Sep-98	Sep-01	\$13,070,000		\$13,319,225	\$27,091	
Confirmation #12 Accurate Engineering		Oct-98	Oct-01	\$5,000,000		\$5,073,973	\$11,409	
Confirmation #13 The Terraces/Park Marino		Oct-98	Oct-01	\$8,000,000		\$8,131,507	\$18,070	
Confirmation #14 Santa Paula (Water Supply)		Nov-98	Oct-01	\$24,500,000		\$24,967,178	\$12,067	
TOTAL:					\$9,386,852	\$511,930,973		\$3,658,547

CalSTRS CREDIT ENHANCEMENT PROGRAM
BANK EXPOSURE
PROGRAM SUMMARY AS OF MARCH 17, 1999

Deal	Commitment	Interest	Total	Portfolio Percentage
PARTNER INSTITUTION				
Port of Long Beach				
Canadian Imperial Bank of Commerce (CIBC)	\$75,000,000	\$0	\$75,000,000	14.92%
Buck Research Center on Aging (CIBC)	\$27,500,000	\$397,808	\$27,897,808	5.47%
USA Waste Industries				
Bank of California	\$9,764,121	\$0	\$9,764,121	1.94%
San Diego Unified Port District (CIBC)	\$35,000,000	\$1,365,243	\$36,365,243	6.96%
San Diego Unified Port District (CIBC)	\$15,000,000	\$585,104	\$15,585,104	2.98%
Pasadena Parking Authority (CIBC)	\$9,000,000	\$693,750	\$9,693,750	1.79%
Pasadena Rose Bowl (CIBC)	\$15,600,000	\$276,956	\$15,876,956	3.10%
TOTAL - PARTNER INSTITUTION	\$186,864,121	\$3,318,861	\$190,182,982	37.18%
DIRECT FINANCIAL INSTITUTION EXPOSURE				
MBIA	\$114,500,000	\$1,693,973	\$116,193,973	22.78%
Union Bank of California, N.A.	\$67,555,000	\$1,385,372	\$68,940,372	13.44%
Sanwa Bank of California	\$23,025,000	\$405,705	\$23,430,705	4.58%
Tokai Bank	\$17,900,000	\$698,224	\$18,598,224	3.56%
City National Bank	\$16,745,000	\$264,332	\$17,009,332	3.33%
Bank of America	\$15,730,000	\$351,662	\$16,081,662	3.13%
Wells Fargo Bank	\$9,655,000	\$213,350	\$9,868,350	1.92%
General Bank	\$8,600,000	\$229,727	\$8,829,727	1.71%
US Bank of California	\$6,800,000	\$78,247	\$6,878,247	1.35%
Bank of Nova Scotia	\$6,480,000	\$144,868	\$6,624,868	1.29%
Hibernia National Bank	\$6,410,000	\$143,303	\$6,553,303	1.28%
Comerica Bank - California	\$4,420,000	\$98,814	\$4,518,814	0.88%
Imperial Bank of California	\$3,700,000	\$76,636	\$3,776,636	0.74%
Pacific Century Bank, N.A.	\$3,600,000	\$53,260	\$3,653,260	0.72%
The Fuji Bank, Limited	\$3,385,000	\$70,111	\$3,455,111	0.67%
Istituto Bancario San Paolo Di Torino	\$2,500,000	\$55,890	\$2,555,890	0.50%
Mellon Bank	\$1,320,000	\$29,510	\$1,349,510	0.26%
Fleet Bank	\$1,020,000	\$22,803	\$1,042,803	0.20%
CoreStates Bank	\$685,000	\$15,314	\$700,314	0.14%
Societe Generale	\$610,000	\$13,637	\$623,637	0.12%
1st Business Bank	\$600,000	\$13,414	\$613,414	0.12%
National Bank of Canada	\$440,000	\$9,837	\$449,837	0.09%
TOTAL - FINANCIAL INSTITUTIONS	\$315,680,000	\$6,067,991	\$321,747,991	62.82%
TOTAL EXPOSURE	\$502,544,121	\$9,386,852	\$511,930,973	100.00%